

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 AID-20 FEA-02 INT-08

SPC-03 SAM-01 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 INR-10 NSAE-00 COME-00

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R 071525Z FEB 74

FM AMEMBASSY BLANTYRE

TO SECSTATE WASHDC 6824

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MBABANE

AMEMBASSY NAIROBI

C O N F I D E N T I A L BLANTYRE 190

DEPT PASS AFR/ESA

NAIROBI FOR REDSO/EA

E. O. 11652: GDS

TAGS: ECON, MI, KE, TZ, ZA

SUBJ: IMPACT OF OIL SHORTAGE

1. BRITISH HIGH COMMISSIONER HAS GIVEN US IN CONFIDENCE
"ROUGH ILLUSTRATIVE FIGURES" PREPARED IN LONDON ESTIMATING
IMPACT OF OIL SHORTAGE ON KENYA, MALAWI, TANZANIA AND ZAMBIA.
HIGH COMMISSIONER DOES NOT KNOW HOW FIGURES DERIVED BUT
SAID THEY UNDERLIE CONCERN BRITISH FONSEC HAS BEEN EXPRESSING
DURING EAST AFRICAN TRIP.

(A) NET OIL IMPORTS (IN MILLION POUNDS STERLING)

(B) ADDITIONAL COST OF IMPORTING THE SAME AMOUNT OF
OIL IN 1974 (IN MILLION POUNDS STERLING)

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(C) (B) AS PERCENT INCREASE IN COST OF ALL IMPORTS
(ON CERTAIN BROAD ASSUMPTIONS)

	(A)	(B)	(C)
KENYA	13.5 (1971)	54.0	23 PER CENT
MALAWI	4.4 (1972)	17.6	34 PER CENT
TANZANIA	7.3 (1971)	29.2	18 PER CENT
ZAMBIA	7.5 (1972)	30.0	13 PER CENT

2. HIGH COMMISSIONER COMMENTED THAT EXCEPTIONALLY LARGE PERCENTAGE INCREASE FOR MALAWI ATTRIBUTABLE TO LARGE PROPORTION OF TOTAL IMPORTS REPRESENTED BY POL. HE THOUGH THIS MIGHT BE EXPLAINED IN PART BY EXTENSIVE CIVIL AVIATION OPERATIONS IN MALAWI INCLUDING SOME 100 CHARTER FLIGHTS PER MONTH TAKING MINE LABORERS TO SOUTH AFRICA AND POSSIBLY R*FUELING OF AIR RHODESIA PLANES IN MALAWI. HE EXPRESSED VIEW ANTICIPATED ADDITIONAL COST TO MALAWI CONSIDERABLY MORE THAN COUNTRY COULD EXPECT RECEIVE IN AID FROM FOREIGN DONORS IN 1974.

3. OIL COMPANY REPRESENTATIVES IN MALAWI HAVE TOLD EMBASSY OFFICER THEY ESTIMATE POL IMPORT BILL (ALL REFINED PRODUCTS) MAY RISE BY 25 PER CENT TO K2.5 MILLION. OFFICIAL OF MALAWI RESERVE BANK EXPECTS THIS WILL BE CLOSER TO 50 PER CENT OR K5 MILLION. SECONDARY EFFECTS OF HIGH PETROLEUM PRICES COULD ADD ADDITIONAL K5 MILLION TO COSTS OF IMPORTS. TOTAL IMPORT BILL COULD RISE BY K20 MILLION IN 1974 WHEN ACCOUNT TAKEN OF IMPORTS STIMULATION CAUSED BY EXCESS LIQUIDITY IN LATE 1973.

4. COMMENT: BRITISH FIGURES BASED ON EXPECTATION COSTS OF OIL IMPORTS WILL INCREASE FOUR FOLD. WE UNABLE JUDGE VALIDITY THIS ASSUMPTION. IF WARRANTED EFFECTS ON MALAWI WOULD BE GRAVE. IF FIGURES IN PARA 3 ARE VALID EFFECTS ON MALAWI'S BALANCE OF PAYMENTS WOULD STILL BE SEVERE BUT COUNTRY SHOULD BE ABLE TO MANAGE FOR ONE YEAR BECAUSE FINANCIAL RESERVES AT END OF 1973 STOOD AT APPROX K55 MILLION, DOUBLE PREVIOUS YEAR'S FIGURE. VALUE OF MALAWI IMPORTS IN 1*73 WAS APPROX K110 MILLION OF WHICH PETROLEUM PRODUCTS WERE APPROX K11 MILLION.

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